

depositor having payments to make would draw out the entire sum in notes, would receive his payments during the day in the same form, and would deposit the net proceeds again in one sum in notes at the close of the day. The use of checks has now become more general, but does not prevent the rise and fall of the circulation in the autumn and spring as formerly.<sup>1</sup>

The elasticity and security of the Scotch circulation are assured by the daily exchange of notes through the Edinburgh clearing house. The settlements for notes were undertaken at an early date by the Bank of Scotland and the Royal Bank, on each alternate month and are made by exchange drafts on London. A bank which cannot meet the test of these settlements is driven to suspension, as happened to the Western Bank in 1857. <sup>ne</sup> daily exchanges by notes are the great regulator of the paper currency and by their means, according to the admission of one of the most radical opponents of free banking, "the average circulation of Scotch bank-notes is reduced to a term of a few days."<sup>J J 2</sup> Notes which are not demanded by the convenience of trade quickly come back to the banks as deposits on current account and are returned through the exchanges to the issuing bank to be retired and cancelled.

II. The proposition that the banking currency of Scotland has enabled her people to carry on numerous transactions for which they could not well have found the necessary quantity of coin, was abundantly demonstrated by the testimony before the committees of Parliament which made reports upon the subject in 1826. The Act of 1845 <sup>was not</sup> successful, according to Mr. Gilbart, "in imparting to the people of Scotland a taste for gold." The circulation of notes, with the profit which the banks derived from circulation, was necessary to maintain the existing banking system and afford accommodation to the Scotch people. The banks have never issued the gold except upon demand or for special purposes. When it has become necessary to increase

<sup>1</sup> Gilbart, II., 178.

<sup>9</sup> Wolowski, *La Banque <PAngleterre>* etc., 515.